

TAXATION

PRELIMINARY - GENERAL

































**THE POINT TO REMEMBER IS
THAT WHAT THE GOVERNMENT GIVES
IT MUST FIRST TAKE AWAY.**

JOHN S. COLEMAN



NAME: _____

CAPACITY MATRIX - GENERAL MATHEMATICS**TOPIC: Taxation (FM3)****2 weeks**

CONTENT	CAPACITY BREAKDOWN!	DONE IT!!!!	GOT IT!!!!	ON MY WAY!	WORKING ON IT!	HELP!!!!
1. Calculation of the amount of allowable deductions from gross income	Are you ready - Tax Ex 12A even questions					
2. Calculation of taxable income	Ex 12B odd questions Excel spreadsheet					
3. Calculation of Medicare levy	Ex 12C					
4. Calculation of PAYE tax using current tax values	Ex 12D Tax spreadsheet Rental task					
5. Calculation of Value Added Tax (VAT)	Ex 12E					
6. Calculation of Goods and Services tax (GST)						
7. Creating graphs to illustrate and describe different tax rates	Ex 12F					
8. Completing a tax return form	Tax Pack task					

Your say!

What was the most important thing you learned? _____

What was something new you learnt? _____

What part(s) of this topic will you need to work on? _____

CALCULATING DEDUCTIONS

THE FACTS!!!

- ④ A tax deduction is an amount of money deducted from **gross** income before tax is calculated.
- ④ Tax deductions are allowed for work-related expenses as well as other expenses such as charity donations
- ④ A tax deduction can be claimed on:
 - The cost of expenses incurred while earning an income;
 - Travel which part of your job;
 - Depreciation of equipment used in performing your job;
 - Expenses associated with maintaining the premises used for your work.
 - Miscellaneous other costs.

eg Jennifer works for a private investigators agency. She claims \$1500 in ballistics, \$6.50 a week for dry cleaning, \$100.00 a quarter for phone rental and calls; 65c/km for travel (and she has logged 13760 km for the year). Calculate Jennifer' total deductions.



eg Damian is a graphic designer who works from home. He has his own computer that is used as part of his job. Damian bought the computer on 1 July 2009 for \$3590. Each year he is allowed a 28% deduction for the depreciation of the computer. Calculate the tax deduction that Damian was allowed in:

- a) The 2009-2010 financial year;
- b) The 2010-2011 financial year.



CALCULATION OF TAXABLE INCOME

THE FACTS!

- R Taxable income is the income on which your tax is calculated;**
- R Gross income is all income with NO deductions;**
- R Net income is the income in the hand after ALL deductions have been made;**
- R To calculate taxable income:**

$$\text{Taxable Income} = (\text{SUM OF } \underline{\text{ALL}} \text{ INCOME}) - (\text{TAX DEDUCTIONS})$$

eg Tori uses the following information to calculate her taxable income:

wages \$47 680, Interest in a joint account \$ 568, bonus \$500, computer costs \$250, Tax Agent's fee \$200, Car \$ 3220. Calculate Tori's taxable income.



**Any interest
received through a
joint bank account
must be shared
equally by all
stakeholders.**

CALCULATION OF MEDICARE

THE FACTS!

In Australia an extra tax is added to all taxable incomes and is known as Medicare.

Medicare is the public hospital medical system available without charge for all Australians.

The Medicare levy is currently calculated at 1.5% of taxable income.

A taxpayer only pays a Medicare levy if their taxable income exceeds \$13 643. However for incomes between \$12 689 and \$13 643, a reduced levy is payable.

The Government provides a 30% rebate (refund) on the cost of the private health insurance.

People on higher incomes who do not have private health insurance are charged the Medicare levy surcharge. This surcharge is a further 1% of taxable income. The income threshold is shown in the table below:



NUMBER OF DEPENDENT CHILDREN	SURCHARGE INCOME THRESHOLD
0-1	\$100 000
2	\$101 500
3	\$103 000
4	\$104 500
More than 4	\$104 500 plus \$1 500 for each additional child

eg Calculate the Medicare levy on a taxable income of \$15 397.

GENERAL MATHEMATICS PRELIMINARY CONTENT - TAX

eg Naomi is paid \$956.75 a week and has no deductions. Calculate her annual taxable income and hence calculate the Medicare levy she would be charged.

eg Calculate the total Medicare levy (including surcharge) paid by a person who has two children, no private health insurance and a taxable income of \$164 000 per annum.

CALCULATING P.A.Y.E. TAX

THE FACTS!

The amount of PAYE (or PAYG) tax payable is based on a table that shows the annual tax payable in current financial year. This annual amount is then divided evenly into a weekly or fortnightly amount. Below is the tax table for 2011-2012 financial year.



NOTE: Cents are ignored and the amount is then always round down, eg \$45000.65 becomes \$45000

eg Calculate the annual tax payable on a taxable income of \$46 800.

GENERAL MATHEMATICS PRELIMINARY CONTENT - TAX

eg Mitch has a taxable income of \$87 600 per year.

- a) Calculate the income tax that Mitch must pay.

- b) Calculate the Medicare levy for Mitch if he is in a private health fund.

- c) Hence calculate Mitch' total tax for the year.

eg Sarah earns a gross wage of \$856.70 per week. Calculate the amount of PAYE tax that is deducted by her employer.

eg Gavin's gross annual salary as a Guitar Hero is \$44 500. He has paid \$8 100.50 in tax. Gavin has also earned \$780.75 in interest from shares investment and has tax deductions totalling \$3245.

- a) Calculate Gav's taxable income.

- b) Calculate the tax payable on Gav's taxable income, including the Medicare levy.

- c) Calculate the amount that Gav should receive as a tax refund or the amount of Gav's tax debt.

GST AND VAT

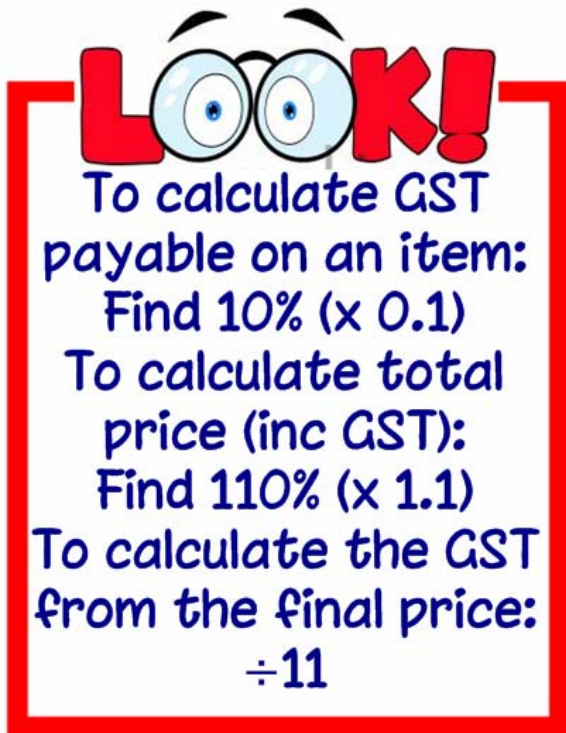
THE FACTS!

GST stands for Goods and Services Tax. It is a tax on various goods such as TVs, prepared food, etc and services such as electrical work, plumbing etc. Most food items, including meat and vegetables, are GST free.

GST = 10% of the purchase price.

eg Calculate the GST payable on a restaurant meal of \$125. 45

eg Calculate the total bill from an electrician who charged \$456.00, before GST.



LOOK!

To calculate GST payable on an item:
Find 10% ($\times 0.1$)

To calculate total price (inc GST):
Find 110% ($\times 1.1$)

To calculate the GST from the final price:
 $\div 11$

eg Lauren buys a lounge for \$1350, including GST. Find:

a) the GST paid on the lounge;

b) the original cost of the lounge before GST.

VAT

THE FACTS!

Other countries have taxes similar to Australia's GST. They are called VAT (Value Added taxes). Research the standard VAT rates for the following countries:

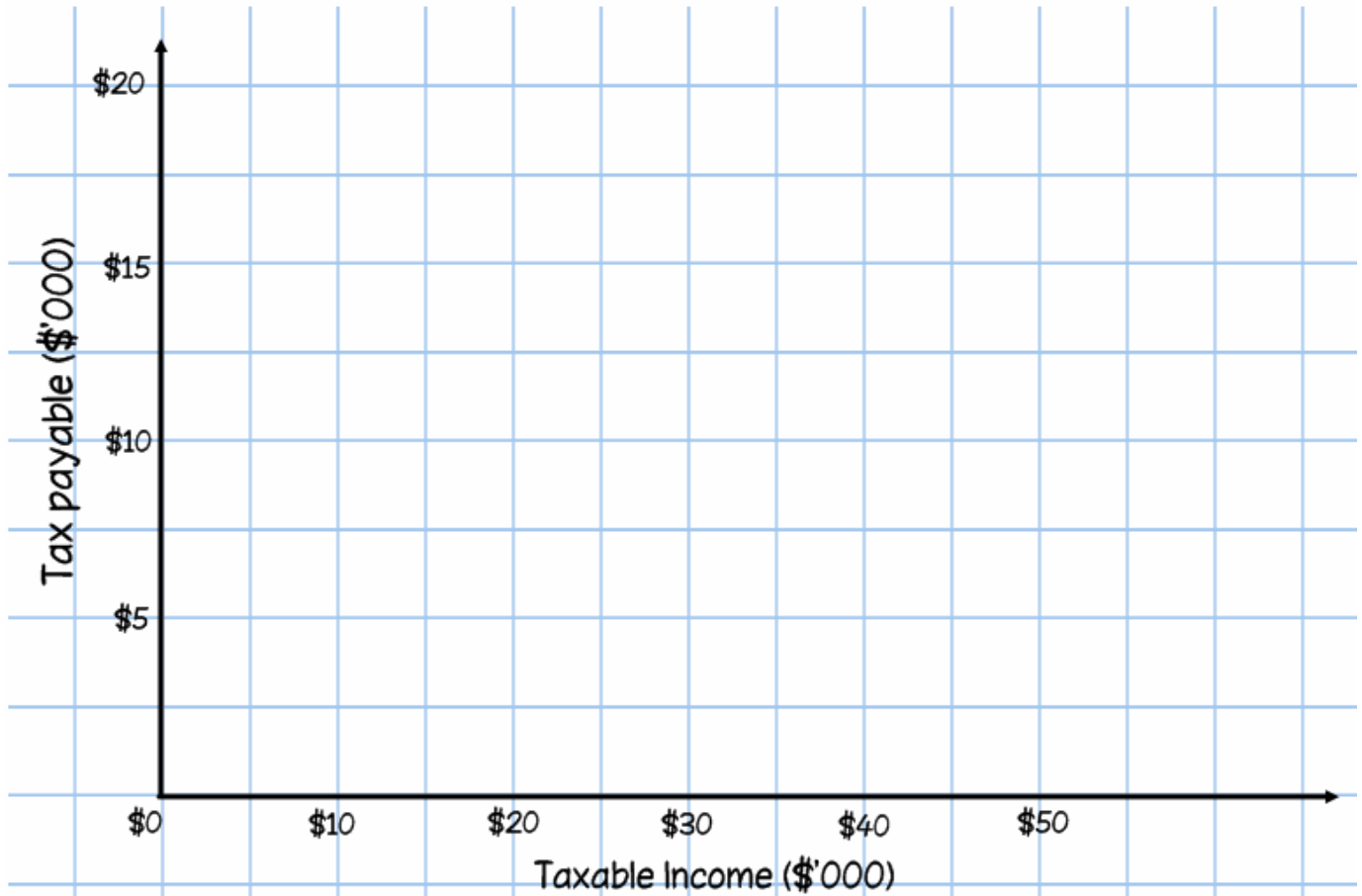
Country	% Rate	Country	% Rate
United Kingdom		Italy	
Belgium		Netherlands	
Germany		South Africa	
France		Switzerland	
Spain		Denmark	

eg Tom travels to Denmark and decides to eat at Maccas (because he really wants to have the Danish experience!). The cost of a Quarterpounder is 33 Kroners before VAT.

- How much VAT will he pay?
- How much will he pay for the Quarterpounder experience?
- Now convert this to Australian dollars.

GRAPHING TAX FUNCTIONS

We can draw linear graphs to display the tax payable. Some countries have a tax free threshold. Draw the graph for a country with a flat tax rate of 42% on all taxable incomes greater than \$8000.



From your graph, estimate the following:

- the tax on \$37 000
- the taxable income that pays tax of \$8 500.

GENERAL MATHEMATICS PRELIMINARY CONTENT - TAX
eg Graph the tax rates for Australia for this financial year.

Tax Rates 2011-2012	
TAXABLE INCOME	TAX ON THIS INCOME
\$0 – \$6,000	Nil
\$6,001 – \$37,000	15c for each \$1 over \$6,000
\$37,001 – \$80,000	\$4,650 plus 30c for each \$1 over \$37,000
\$80,001 – \$180,000	\$17,550 plus 37c for each \$1 over \$80,000
Over \$180,000	\$54,550 plus 45c for each \$1 over \$180,000

